



Delaware State Treasury

State Treasurer Chip Flowers

DELAWARE ECONOMIC INDEX

As of July 1, 2014



President Obama Signs Order to Cap College Loan Payments

See page 11

STATE ECONOMIC CLIMATE OVER PAST 60 DAYS

FAIR

LEGEND FOR ECONOMIC CLIMATE



NATIONAL ECONOMIC TREND
Slow Growth



CONSUMER SECTOR

Consumer confidence rises.
See page 4



BUSINESS SECTOR

Home price growth slows.
See page 7



FINANCIAL SECTOR

Delaware Stock Index increases.
See page 12



State Treasurer Chip Flowers

A Message from your State Treasurer

To People of the State of Delaware:

Welcome to the July 2014 edition of the Delaware Economic Index. Delaware's economy remains at a "fair" level. The state unemployment rate has stabilized, registering at 5.9% in May and in three of the last four months.

The national economy as a whole continues to improve at a steady pace. While a variety of one-time factors led to the economy contracting to an annualized rate of 2.9% in the first quarter, the economic picture remains positive, but not strong. The unemployment rate was 6.3% in both May and April and job growth was solid. Preliminary data show 217,000 net jobs were created in May and 282,000 in April. If these figures hold in the final data, the nation will have experienced job growth above 200,000 for four consecutive months and six times in the past eight months.

The Federal Reserve continued to reduce its monthly bond purchases, clipping purchases to \$35 billion per month at its June meeting. The Federal Reserve has reduced its economic projections for 2014, but still sees enough economic momentum to warrant a continuation of the tapering program.

This month's special feature is an overview of the college loan repayment proposal from President Obama and some facts on student loan debt.

If you have any comments on our recent work or in general, feel free to e-mail me at statetreasurer@state.de.us or call (302) 672-6700. We are here to serve you.

Best,

Chip Flowers, *Delaware State Treasurer*





KEY RATIONALE

- The state unemployment rate was 5.9% in May, which is identical to the March figure.
- The February Regional Consumer Price Index indicated a 0.5% increase in prices from February. The year-over-year price increase is 1.4%.
- The Federal Reserve's Beige Book showed economic growth at a slower, modest pace in the Philadelphia region, which includes Delaware.
- General services grew moderately, while manufacturing and staffing services showed modest growth.
- The auto sector improved to strong growth, while retail sales also improved to a modest pace.
- Tourism, noncommercial construction, as well as lending volumes grew slightly, although credit quality continued to improve.
- Residential construction and home sales fell slightly.
- Overall, Beige Book respondents' maintained an outlook of moderate growth over the next six months.
- Regional manufacturing activity continued to grow, as measured by the Federal Reserve Bank of Philadelphia's survey. However, Delaware firms account for only approximately 5% of the survey.
- The Federal Reserve Bank of Philadelphia's Coincident Index showed Delaware's economic activity as growing in May. The Leading Index increased and is forecasting economic growth through the fourth quarter of 2014.
- National consumer confidence increased in the Conference Board's Consumer Confidence Survey to reach its highest level since January 2008 and also climbed in the University of Michigan's Consumer Sentiment Survey.
- The national economy continued to add jobs at a rate of over 200,000 a month. According to preliminary data, 217,000 net jobs were created in May and 282,000 were created in April. The unemployment rate in May remained at 6.3%.
- The four-week moving average of new U.S. jobless claims was 312,000 for the week ended June 21, an improvement from 320,000 for the week ended April 26.
- In Delaware, new jobless claims increased during the past sixty days. The four-week average is 891, up from an average of 683.

Delaware Economic Early Warning System

STATE ECONOMIC CLIMATE OVER PAST 60 DAYS

FAIR



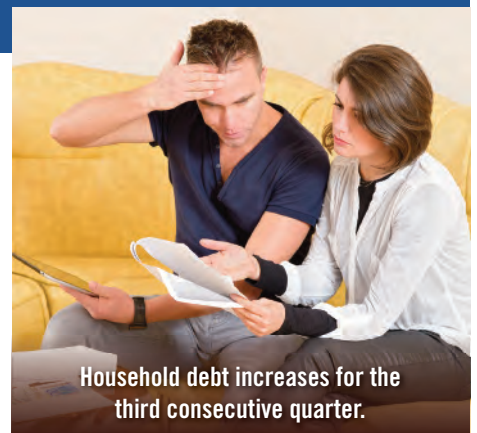
CONSUMER SECTOR



Consumer confidence highest
since January 2008.



Household wealth increases
\$1.5 trillion in the first quarter.



Household debt increases for the
third consecutive quarter.



Employment

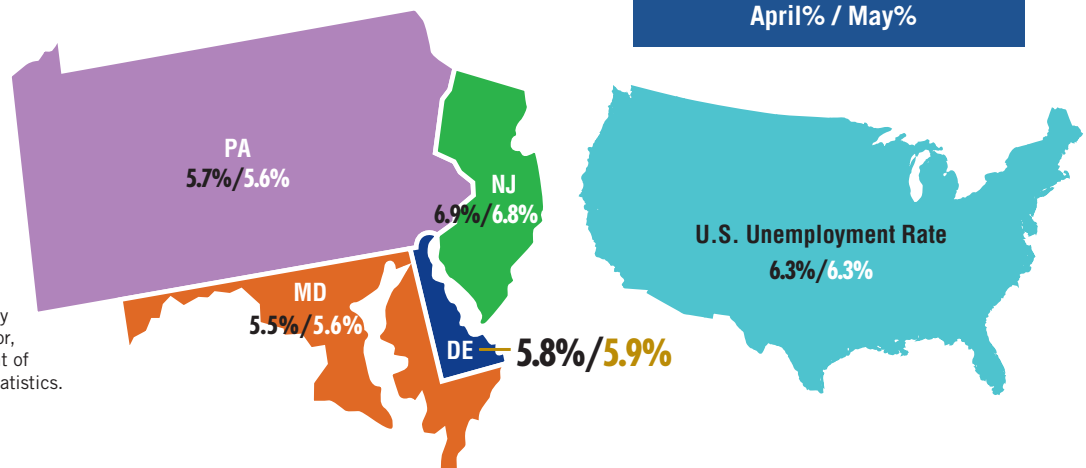
Delaware (May 2014)		Delaware (April 2014)	
Labor force	446,579	Labor force	444,956
Employment	420,046	Employment	419,246
Unemployed	26,533	Unemployed	25,710
Unemployment rate	5.9%	Unemployment rate	5.8%



Source: Delaware Department of Labor

Regional Unemployment

April 2014 / May 2014



Sources: Delaware Department of Labor; New Jersey Department of Labor; Maryland Department of Labor, Licensing and Regulation; Pennsylvania Department of Labor & Industry, United States Bureau of Labor Statistics.

Delaware Jobless Claims

Initial Claims Filed

Week Ended	Number
June 14	1379
June 7	941
May 31	608
May 24	636
May 17	640
May 10	738
May 3	812
April 26	1538

Four week average: 891

Eight week average: 912

Source: U.S. Department of Labor





Gas Prices

	Delaware	United States
July 1, 2014	\$3.65	\$3.68
One Week Ago	\$3.68	\$3.69
May 1, 2014	\$3.67	\$3.65
One Year Ago	\$3.44	\$3.50

Source: Delawaregasprices.com



Mortgage Rates

	As of July 1, 2014	Week Prior
30-year fixed	4.14%	4.17%
15-year fixed	3.22%	3.30%
5-year ARM	2.98%	3.00%
1-year ARM	2.40%	2.41%

Source: Freddie Mac



Primary Mortgage Market Survey®

	As of July 1, 2014	Fees and Points
30-year fixed	4.14%	0.5%
15-year fixed	3.22%	0.5%

Source: Freddie Mac

Consumer Confidence

Conference Board

Month	Index
June	85.2
May	82.2

Rating Index

90 = Doing well
100 = Strong growth

Source: Conference Board

University of Michigan

Month	Index
June	82.5
May	81.9

Source: University of Michigan

Regional Consumer Price Index

	Apr. 2014	Feb. 2013	Change since Feb.	Change since April 2013
All Items	243.694	242.584	+0.5%	+1.4%
Core	252.458	251.717	+0.3%	+1.3%

The regional CPI covers the Philadelphia-Wilmington-Atlantic City Consolidated Metropolitan Statistical Area. In Delaware, it covers all of New Castle County. Core inflation is the inflation rate minus food and energy items.

Source: U.S. Bureau of Labor Statistics



B U S I N E S S S E C T O R



Home price
growth slows.



U.S. oil exports hit 15 year
monthly high.



Construction spending at highest
level since 2009.



National Manufacturing

National economic activity in the manufacturing sector expanded for the twelfth consecutive month in May as the PMI posted a reading of 55.4. A reading above 50 indicates expansion in the manufacturing sector and a PMI above 42.2 correlates with expansion in the overall economy. 17 of 18 manufacturing industries surveyed reported growth.

Index	Series Index May	Series Index Apr.	% Point Change	Status	Rate of Change	Trend* (Months)
PMI	55.4	54.9	+0.5	Growing	Faster	12
Production	61.0	55.7	+5.3	Growing	Faster	3
New Orders	56.9	55.1	+1.8	Growing	Faster	12
Employment	52.8	54.7	-1.9	Growing	Slower	11
Supplier Deliveries	53.2	55.9	-2.7	Slowing	Slower	12
Inventories	53.0	53.0	0.0	Growing	Same	4
Prices	60.0	56.5	+3.5	Increasing	Faster	10
Backlog of Orders	52.5	55.5	-3.0	Growing	Slower	4
Exports	56.5	57.0	-0.5	Growing	Slower	18
Imports	54.5	58.0	-3.5	Growing	Slower	16
Customers' Inventories	46.5	42.0	+3.5	Too Low	Slower	30

Source: ISM Report on Business

National Non-Manufacturing

National economic activity in the non-manufacturing sector grew for the 52nd consecutive month in May. The NMI increased by 1.1 from April to reach 56.3. A reading above 50 indicates expansion. 17 of 18 non-manufacturing industries reported growth. Most survey respondents expressed the belief that the economy is growing, albeit not rapidly.

Index	Series Index May	Series Index Apr.	% Point Change	Status	Rate of Change	Trend* (Months)
NMI/PMI	56.3	55.2	+1.1	Growing	Faster	52
Business Activity/Production	62.1	60.9	-1.2	Growing	Faster	58
New Orders	60.5	58.2	+2.3	Growing	Faster	58
Employment	52.4	51.3	+1.1	Growing	Faster	3
Supplier Deliveries	50.0	50.5	-0.5	Unchanged	From Slower	1
Inventories	55.5	55.5	0.0	Growing	Same	2
Prices	61.4	60.8	+0.6	Increasing	Faster	56
Backlog of Orders	54.0	49.0	+5.0	Growing	From Contracting	1
New Export Orders	53.0	57.0	-4.0	Growing	Slower	2
Imports	55.5	55.5	0.0	Growing	Same Contracting	3
Inventory Sentiment	63.0	65.0	-2.0	Too High	Slower	204

Source: ISM Report on Business



Regional Business Outlook Survey Diffusion Indexes

In June, the Business Outlook Survey's diffusion index remained in positive territory for the fourth consecutive month as the index improved to 17.8.

	June 2014	May 2014
General Evaluation	17.8	15.4
New Orders	16.8	10.5
Shipments	15.5	14.2
Unfilled Orders	11.2	-2.5
Delivery Times	6.0	-4.2
Inventories	-6.7	-0.5
Prices Paid	35.0	23.0
Prices Received	14.1	17.0
Number of Employees	11.9	7.8
Average Employee Workweek	7.3	2.9

The Business Outlook Survey is conducted monthly by the Federal Reserve Bank of Philadelphia to gauge manufacturing activity in the region.

Source: Federal Reserve Bank of Philadelphia

Small Business Optimism Index

Month	Index
May	96.6
April	95.2

May's reading is the highest since September 2007.

Source: National Federation of Independent Businesses

Index Component	Net %	Change from Last Month
Plans to Increase Employment	10%	▲ 2%
Plans to Make Capital Outlays	24%	▼ -1%
Plans to Increase Inventories	1%	▼ -2%
Expect Economy to Improve	0%	▲ 9%
Expect Real Sales Higher	15%	▲ 8%
Current Inventory	-2%	▼ -1%
Current Job Openings	24%	■ 0%
Expected Credit Conditions	-7%	▼ -1%
Now a Good Time to Expand	10%	▲ 2%
Earnings Trends	-17%	▲ 3%

Producer Price Index

	May 2014	May 2013
Total	-0.2	2.0
Except food and energy	0.0	N/A
Foods	-0.2	N/A
Energy	-0.2	N/A

These are the Producer Price Index changes for finished goods. The index increased after declining in February.

Source: U.S. Bureau of Labor



Coincident Index

The Coincident Index for Delaware indicated growth in May. The unemployment rate rose, but on the positive side employment and average hours worked in manufacturing increased.

Source: Federal Reserve Bank of Philadelphia

The Coincident Index is issued by the Federal Reserve Bank of Philadelphia to summarize economic conditions in the region. An increase in a state's coincident index indicates an increase in such state's Gross Domestic Product (GDP) growth.

Area	May 2014	1-Month Change	3-Month Change	12-Month Change
Delaware	146.7	0.2%	0.8%	4.0%
New Jersey	153.8	0.3%	0.6%	2.2%
Pennsylvania	146.7	0.5%	1.6%	4.4%
US	157.8	0.3%	0.8%	3.1%

Leading Index

The Leading Index for May was 1.0 in Delaware, suggesting economic expansion through the fourth quarter of 2014. The coincident index for Delaware and building permits increased while initial jobless claims decreased, although the index of delivery times from the Institute for Supply Management's manufacturing survey moved in a negative direction.

Source: Federal Reserve Bank of Philadelphia

The Leading Index is issued by the Federal Reserve Bank of Philadelphia to predict the six-month growth rate of a state's Coincident Index.

Area	May	April	March
Delaware	1.0	1.5	1.4
Pennsylvania	2.7	2.9	2.2
New Jersey	1.3	2.2	1.6
US	1.7	1.8	1.6



SPECIAL FEATURE

President Obama Signs Order to Cap College Loan Payments

On June 9, President Obama signed an executive order to direct Secretary of Education Arne Duncan to propose regulations to allow students to cap their loan payments at 10% of their income. This order expands the existing Pay As You Earn program.

The Pay As You Earn Program, in addition to capping payments at 10%, forgives outstanding student loan debt after 20 years (except for those in public service who are eligible for debt forgiveness after 10 years). Some key facts about the executive order and student loan debt are:

- This measure is aimed at past borrowers, whereas previous measures were targeted at current or future borrowers.
- Individuals who borrowed prior to October 2007 or ceased borrowing in October 2011 fall under this order.
- Approximately 5 million people will benefit from this change.
- The changes are scheduled to go in effect on December 31, 2015.
- The order seeks to improve financial education and outreach efforts to identify and contact individuals at risk for defaulting on their loans and providing them with information on how they can ameliorate their situation.
- Financial outreach will include working with the private sector to share information during tax season with borrowers about various potential repayment options.
- Student loan debt, unlike other forms of debt, cannot be discharged in bankruptcy.
- The average borrower in the class of 2012 in the state of Delaware had an average debt of \$33,649.
- Delaware has the highest average student loan debt of any state.
- 71% of 4-year students who graduate do so with student loan debt. The average amount of student loan debt is \$29,400.
- Student loan debt nationally now stands at \$1.2 trillion, a fourfold increase since 2003.
- Student loan debt is the largest category of consumer debt.
- 40% of households under 35 have student loan debt.

**A federal loan repayment calculator is available at
<https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action>.**

Sources: the White House, Federal Reserve Bank of Cleveland, Washington Post, U.S. News



FINANCIAL SECTOR



Amé Deder/DPA, via Agence France-Presse — Getty Images



European Central Bank moves to negative interest rates.



U.S. most attractive nation for foreign investment.



Euro Zone economy grows only 0.2% in the first quarter.

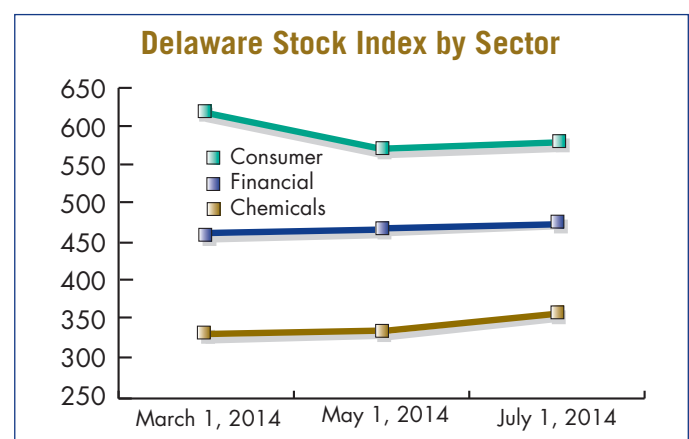
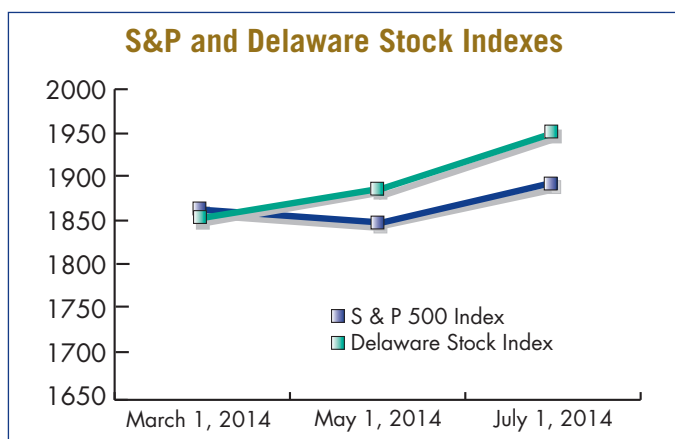


Stock Prices of Key Delaware Employers

Employer	May 1, 2014	July 1, 2014	% Change
Amazon.com Inc.	\$307.89	\$324.78	+5.49%
Ashland Inc.	\$100.74	\$108.74	+7.94%
AstraZeneca PLC	\$81.09	\$74.31	-8.36%
Bank of America Corp.	\$15.09	\$15.37	+1.86%
Barclay's PLC	\$17.37	\$14.61	-15.89%
Chesapeake Utilities Corp.	\$62.3	\$71.33	+14.49%
Citigroup Inc.	\$47.76	\$47.10	-1.38%
Comcast Corp.	\$52.11	\$53.68	+3.01%
Dover Downs Gaming & Entertainment Inc.	\$1.45	\$1.375	-5.52%
Dow Chemical Co.	\$48.71	\$51.46	+5.65%
DuPont	\$66.76	\$65.44	-1.98%
JP Morgan Chase & Co.	\$55.72	\$57.22	+2.69%
Kraft Foods Inc.	\$56.69	\$59.95	+5.75%
M & T Bank Corp.	\$121.49	\$124.05	+2.11%
Pepco Holdings Inc.	\$26.93	\$27.48	+2.04%
PNC Financial Services Co.	\$83.77	\$89.05	+6.30%
Rite Aid Corp.	\$7.70	\$7.17	-6.88%
Safeway Inc.	\$34.21	\$34.34	+0.38%
Siemens AG	\$131.93	\$132.19	+0.20%
Simon Property Group	\$173.65	\$166.28	-4.24%
Supervalu Inc.	\$6.91	\$8.22	+18.96%
Tanger Factory Outlet Centers Inc.	\$35.53	\$34.97	-1.58%
Verizon Communications Inc.	\$47.22	\$48.93	+3.62%
Walgreen Co.	\$69.43	\$74.13	+6.77%
Wal-Mart Stores, Inc.	\$79.70	\$75.07	-5.81%
Wells Fargo	\$49.64	\$52.56	+5.88%
WSFS Financial Corp.	\$67.61	\$73.67	+8.96%
Delaware Stock Index	1849.4	1893.47	+2.38%
S & P 500 Index	1,883.68	1,960.23	+4.06%
Dow Jones Industrial Average	16,558.87	16,826.60	+1.62%

Source: Google Finance

Stock Index Comparison





Treasury's Portfolio Balances

As of June 30, 2014

Source: Delaware State Treasury

Portfolio	Market Value	% of Total
Liquidity A/Cs:		
CUTWATER ASSET MGMT	\$220,931,795.07	12.4%
PFM ASSET MANAGEMENT	\$222,973,810.59	12.6%
WELLS CAP LIQUIDITY	\$222,016,641.27	12.5%
WILMINGTON LIQUIDITY	\$221,668,830.53	12.5%
Intermediate Accounts:		
CHANDLER ASSET MGMT	\$104,027,762.11	5.9%
FEDERATED INVESTORS	\$160,300,654.38	9.0%
JPM INTERMEDIATE	\$241,110,946.39	13.6%
MORGAN STANLEY IM	\$171,929,452.17	9.7%
SCHRODER INTERM	\$75,622,126.13	4.3%
L&W - SCHRODER	\$78,225,343.50	4.4%
HEALTHFUND-SCHRODER	\$55,820,733.50	3.1%
Total:	\$1,774,628,095.64	100%

Treasury's Portfolio Delaware Holdings

As of March 30, 2014

The Delaware holdings data is updated at the end of each quarter.

Source: Delaware State Treasury

Portfolio	Market Value
Liquidity A/Cs:	
CUTWATER ASSET MGMT	\$65,642,843.05
PFM ASSET MANAGEMENT	\$34,925,975.00
WELLS CAP LIQUIDITY	\$133,015,528.80
WILMINGTON LIQUIDITY	\$14,495,000.00
Intermediate Accounts:	
CHANDLER ASSET MGMT	\$102,806,463.16
FEDERATED INVESTORS	\$2,904,000.00
JPM INTERMEDIATE	\$32,489,830.99
MORGAN STANLEY IM	\$37,308,065.10
SCHRODER INTERM	\$6,668,366.00
L&W - SCHRODER	\$5,979,418.00
HEALTHFUND-SCHRODER	\$4,262,219.00
Total:	\$440,497,709.10 (24.7% of the State portfolio)



Key Interest Rates

Rate	6/25/14	Month Ago	Year Ago
Wall Street Journal Prime Rates	3.25%	3.25%	3.25%
Federal Discount Rate	0.75%	0.75%	0.75%
Fed Funds Rate	0.25%	0.25%	0.25%
Bond Buyer's 20 Bond Index	4.42%	4.28%	4.37%
1 Month LIBOR Rate	0.15%	0.15%	0.19%
3 Month LIBOR Rate	0.23%	0.23%	0.28%
6 Month LIBOR Rate	0.33%	0.32%	0.42%
1 Year LIBOR Rate	0.55%	0.54%	0.68%
Call Money	2.00%	2.00%	2.00%

Source: Bankrate.com

U.S. Treasury Department Bond Rates

Date	4 Weeks		52 Weeks	
	Bank Discount	Investment Yield	Bank Discount	Investment Yield
June 30, 2014	0.02	0.02	0.11	0.11
May 1, 2014	0.02	0.02	0.10	0.10

Source: U.S. Treasury Department

Key Benchmark Exchange Rates

As of July 1, 2014

Currency	Value (in U.S. Dollars)	Change (from previous Index)
Euro	\$1.3694	-1.27%
British Pound	\$1.7110	+1.40%
Japanese Yen	\$0.0099	+1.02%
Australian Dollar	\$0.9432	+1.52%
Canadian Dollar	\$0.9374	+2.68%
Swiss Franc	\$1.1277	-1.16%
Chinese Yuan	\$0.1611	+0.69%

Source: Google Finance



RECENT ECONOMIC ACTIVITY

- The merger between WSFS and First National Bank of Wyoming was approved by the Office of the Comptroller of Currency.
- Warlock Brewing announced plans to open a brewery in Smyrna.
- The Buccini/Pollin Group will build 250 apartments in Wilmington in approximately the next year.
- Wilmington coffee shop Pa'Teas closed.
- The Milton Theatre reopened.
- Chick-fil-A announced it will add a location in Milford. This will create approximately 80 jobs by August.
- Amazon plans to hire approximately 500 people at its Middletown facility.
- Pfizer was unsuccessful in its attempts to pursue a merger with AstraZeneca.
- JPMorganChase purchased 58 acres of AstraZeneca's Concord Pike complex for \$44 million.
- Alex Pires announced plans to create a country music festival in Sussex County.
- Frontier Airlines will discontinue service to Detroit effective Sept. 21.
- Newmark Grubb Knight Frank sold the Silver Lake office complex in Dover for \$26.6 million. The purchaser has not been identified.



<http://treasury.delaware.gov/>

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